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C O N F I D E N T I A L SECTION 01 OF 02 BRASILIA 001543

SIPDIS

DEPARTMENT FOR WHA AND NEA

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TAGS: [PREL](#) [BR](#) [IR](#)

SUBJECT: BRAZILIAN FOREIGN MINISTRY CAUTIOUS ON IRAN, BUT
STILL BUILDING TIES

REF: A. STATE 119167

[1](#)B. BRASILIA 752

Classified By: Ambassador Clifford M. Sobel, Reason 1.4 (b) and (d)

[1](#)1. (C) Summary: During separate meetings, both Ambassador Everton Vargas, Under Secretary for Political Affairs at the Brazilian Ministry of External Relations, and Mines and Energy Minister Edison Lobao, confirmed to Ambassador Sobel that Petrobras is not planning any further investments in Iran, to include the Caspian deal indicated in recent industry press reports (ref a). Furthermore, Ambassador Vargas stated that separate news reports suggesting that Foreign Minister Amorim had extended an invitation to Iranian President Ahmadinejad to meet with President Lula were not accurate. Both Vargas and Lobao noted that Brazil is under tremendous pressure from Iran, both to set up such a meeting and to increase Petrobras investment in Iran, but they said Brazil currently has no plans to expand the scope of the relationship outside of the trade area. End Summary.

- - - Petrobras Truly Out of Iran - - -

[1](#)2. (C) In a November 10 meeting with Minister of Mines and Energy Lobao, Ambassador Sobel inquired about industry news reports which suggested that Petrobras was working on a Caspian Sea exploration deal with Iran. Ambassador Sobel noted that the head of Petrobras, Jose Sergio Gabrielli, had previously told him that Petrobras wells in Iran had been capped and there were no new Petrobras plans to engage with Iran. Lobao responded that, "Gabrielli is right." The Minister also noted that Iran has told the GOB they are very unhappy with US efforts to discourage investment and have asked the GOB to reconsider, but that there are no Brazilian plans to do so at this time.

[1](#)3. (C) In a separate meeting with Ambassador Vargas on November 18, Ambassador Sobel also raised the news reports of the Caspian deal, to which Vargas responded that they were absolutely not true. He further noted that Petrobras had just given a presentation at Itamaraty in which Petrobras officials stressed that the company's number one priority was the pre-salt reserves off the Brazilian coast, followed by exploration in U.S. waters in the Gulf of Mexico. There are many things that Petrobras can be accused of, Vargas said, "but they are not stupid." Vargas said that the GOB is fully aware of Iran's status with the international community and the restrictions imposed by UN Security Council resolution and sees the dangers and risks associated with investment in Iran. Even so, Vargas said, there is trade to be done between the two countries and Brazil is interested in increasing it within the bounds of UNSC sanctions. President Lula in particular is very interested in the trade aspect of the relationship, Vargas noted, as he knows that the Iranians

"have money to spend." (Note: Exports to Iran account for about 30% of total Brazilian exports to the Middle East, or about US\$1.8 billion, which accounts for more than 95% of trade volume between the two countries. End note.)

- - - Amorim in Tehran; No Presidential Meeting in the Works--Yet - - -

¶4. (C) During the meeting with Vargas, Ambassador Sobel also raised news reports of Amorim's recent trip to Tehran, the first such visit for a Brazilian foreign minister in 17 years. According to news reports, Amorim -- accompanied by a delegation of Brazilian business leaders in the areas of oil, agriculture, and automobiles -- visited Tehran for several days starting on November 1, during which he met with President Ahmadinejad and discussed Iran's "peaceful" nuclear energy program, the global financial crisis, trade, and other bilateral issues. Asked if news reports that Amorim presented Ahmadinejad with an invitation for a presidential-level meeting between the Iranian president and Lula, Vargas responded that no formal invitation was made.

¶5. (C) Asking not to be quoted, Vargas stressed that the Iranians have put great pressure on Brazil to issue an invitation to Ahmadinejad, but Itamaraty has continually come up with excuses to avoid it. Amorim had postponed his trip to Tehran three times, he added. Finally, Vargas said that Brazil had insisted that any invitation for an Ahmadinejad visit must be preceded by a visit from Iran's foreign minister "exclusively" to Brazil, as Amorim had done in going to Iran.

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¶6. (C) Vargas ended by asserting that Brazil is clear about its obligations under UNSC resolutions, and that Brazil will strictly adhere to whatever boundaries are imposed by the UNSC resolutions. He recalled that Brazil had forced the Defense Ministry to shut down the Iran booth at the Latin America Air and Defense Show in Rio in 2007 (ref b), and said that they had already made clear to the MOD that they could not issue an invitation to Iran for the upcoming show.

- - - Comment - - -

¶7. (C) These recent discussions suggest a greater sense of caution on the part of Brazilian officials regarding Brazil's dealings with Iran than in the past. This comes in the wake of increased dialogue with the GOB during the past year by Emboffs and senior USG officials-- Secretary Rice, U/S Burns, A/S Shannon and A/S Welch, S/P Dr. Gordon, among others--concerning Iran. However, reporting in other channels suggests that Amorim was more forward-leaning regarding a visit by Ahmadinejad than Vargas indicated. The GOB has made clear that it intends to cultivate commercial and other ties to the extent that UNSC sanctions allow, and we believe a presidential-level meeting between Ahmadinejad and Lula remains likely. At present, the GOB is trying to assuage our concerns as it proceeds cautiously to strengthen its ties with Iran. We will need to intensify our dialogue on Iran if we hope to sway the GOB that this is not the moment for increased engagement with Tehran. End comment. SOBEL